

The Interim Audit Findings for Cheltenham Borough Council

Year ended 31 March 2022

Cheltenham Borough Council
November 2022



Contents



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Section

1. Headlines
2. Financial statements
3. Value for money arrangements
4. Independence and ethics

Appendices

- A. Follow up of prior year recommendations
- B. Audit adjustments
- C. Fees

Page

- 3
- 5
- 25
- 27

- 30
- 33
- 38

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit, Compliance and Governance Committee.

Name : Alex Walling
For Grant Thornton UK LLP
Date :

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Cheltenham Borough Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the group and Council's financial statements:

- give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work to date was largely undertaken remotely during August and September with a further visit due in December and January. Our findings are summarised on pages 5 to 24. A small number of adjustments to the financial statements have been identified by management as a result of our audit work that has resulted in a £344k adjustment to the Council's Comprehensive Income and Expenditure Statement. We will provide an updated list of amendments when we issue our final report to the January committee.

Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is substantially complete and there are no matters of which we are aware of at this time that would require modification of our audit or further material changes to the financial statements, subject to the following outstanding matters;

- completion of sample testing in a number of areas;
- receipt of the IAS 19 letter from the pension fund auditor;
- completion of work on the group accounts, not yet received as at 9 November 2022;
- completion of our work on the Council's land, buildings, investment property and council dwellings valuations;
- completion of work on a number of disclosure areas including related parties and financial instruments;
- resolution of the national issue relating to infrastructure assets;
- receipt of management representation letter; and
- review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified, subject to completion of our outstanding work.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay was issued to the Audit, Compliance and Governance Committee. We expect to issue our Auditor's Annual Report in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our planning work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified no risks at that stage.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in March 2023 and the submission for the whole of government accounts.

Significant Matters

Other than delays in receiving the group accounts, we did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit, Compliance and Governance Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- An evaluation of the group's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that an audit of Cheltenham Borough Homes Ltd was required undertaken by Bishop Fleming and specified audit procedures for Gloucestershire Airport Limited, which was completed by Hazelwoods LLP; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have not had to alter our audit plan, as communicated to you on 21 April.

Conclusion

We are continuing to undertake our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit, Compliance and Governance Committee meeting on 24 January 2023. A final Audit Findings Report will be issued to that Committee.

These outstanding items are summarised on page 3.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

During the course of the audit both your finance team and our audit team faced audit challenges again this year, such as remote access working arrangements i.e. remote accessing financial systems, video calling, physical verification of assets, verifying the completeness and accuracy of information provided remotely produced by the entity, conflicting demands on key finance staff. In particular delays in the Council receiving the accounts for Gloucestershire Airport Limited has delayed the Council being able to produce group accounts, which have still not been received and our work in this area remains to be completed.

2. Financial Statements



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan 21 April 2022. We detail in the table our determination of materiality for Cheltenham Borough Council and group.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,505,000	1,483,000	This was set at 2% of your gross expenditure for the prior year.
Performance materiality	1,128,750	1,112,250	This is 75% of headline materiality.
Trivial matters	75,300	75,300	This is 5% of headline materiality.



2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p>	<p>We have:</p> <ul style="list-style-type: none"> • evaluated the design effectiveness of management override of controls over journals; • analysed the journals listing and determine the criteria for selecting high risk unusual journals; • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>Our testing identified 17 journals that had a blank description; these were selected for testing as this is a weakness in a key control. The results of the testing can be broken down into four reasons as to why the journals had blank descriptions:</p> <ul style="list-style-type: none"> • 12 cases were as a result of a system upload error, specifically in relation to the Child Voucher Scheme, where the template uploaded had not carried over to the ledger correctly; • four journals which related to rounding errors that has been corrected by Unit 4 Business World. The system will automatically allocate any differences to account code E9997 which is the error suspense. Values were for £0.01 in all four cases; and • one journal which was a coding correction journal. <p>Our testing also identified that there is no requirement for journals to be authorised. This increases the risk of errors or fraudulent transactions being posted which may not be identified through budgetary controls. We acknowledge that management has implemented further monitoring controls to identify incorrect postings. This involves monthly informal budget monitoring and reporting to Cabinet quarterly on the budget position. This should assist in identifying incorrect journal postings.</p> <p>We have gained sufficient assurance over these items in our detailed testing.</p> <p>Our audit work has not identified any further issues in respect of management override of controls. Our review of estimates is documented on pages 14 to 16.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Improper revenue recognition

Council and Group

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition;
- opportunities to manipulate revenue recognition are very limited; and
- the culture and ethical frameworks of local authorities, including Cheltenham Borough Council, mean that all forms of fraud are seen as unacceptable.

We have not altered our view of this rebuttal since planning.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of land and buildings

Council and Group

The Council revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£141 million) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.

We therefore identified valuation of land and buildings as a significant risk.

We have performed the following work in relation to this risk:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- written to the valuer to confirm the basis on which the valuations were carried out;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation;
- Instructed our auditor's expert to review the terms of engagement, valuation methodology and approach and resulting assumptions;
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register; and
- reviewed the valuations in line with market trends, and challenged any valuations that were not in line with our expectations;

The Council undertook an extensive revaluation exercise in 2020/21 with only a small number of assets revalued during 2021/22. This creates a risk that the carrying value of assets, recorded in the financial statements is materially different from the current value, particularly as asset prices, including building indices, used in the valuations have been increasing. We asked the Council to provide a quantified assessment of this movement. This has been received and is currently being reviewed. There remains a risk that further valuations may be required.

We are currently awaiting responses to a small number of queries from your valuer in order to conclude our work in this area.

See 'key judgments and estimates' from page 14 for further details on the findings of this significant risk.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of Council Dwellings

Council

The Council undertakes a full valuation every five years with a desk top valuation in the intervening years.

This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of council dwellings as a significant risk.

We have performed the following work in relation to this risk:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- written to the valuer to confirm the basis on which the valuations were carried out;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation;
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register; and
- reviewed the valuations comparing them with market trends, and challenged any valuations that were not in line with our expectations.

We are currently assessing the impact of a small number of responses to queries raised before completing our work in this area.

See 'key judgments and estimates' from page 14 for further details on the findings of this significant risk.

Valuation of Investment Property

Council and Group

The Council has investment properties on its balance sheet of £66 million. These are valued at fair value at 31 March 2022. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions

We have performed the following work in relation to this risk:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- written to the valuer to confirm the basis on which the valuations were carried out;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation;
- instructed our auditors expert to review the terms of engagement, valuation methodology and approach and resulting assumptions;
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register; and
- we reviewed the valuations in line with market trends, and challenged any valuations that were not in line with our expectations.

We are currently assessing the impact of a small number of responses to queries raised before completing our work in this area.

See 'key judgments and estimates' from page 14 for further details on the findings of this significant risk.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of pension fund net liability

Council and Group

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£41 million in the Council's balance sheet. The group accounts include the pension liability of Cheltenham Borough Homes Ltd of £10 million) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.

We have performed the following work in relation to this risk:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.

We are currently awaiting assurances from the auditor of Gloucestershire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

See 'key judgments and estimates' from page 14 for further details on the findings of this significant risk.

We have not to date, identified any issues that would suggest that the of the valuation of the pension fund net liability is materially misstated.

2. Financial Statements – Key findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
Cheltenham Borough Homes Ltd	Bishop Fleming	We are currently awaiting group accounts to undertake our work in this area.	
Gloucestershire Airport Ltd	Hazelwoods	We are currently awaiting finalised group accounts to undertake our work in this area.	

2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary
<p>Valuation of Infrastructure Assets</p> <p>The Code requires infrastructure to be reported in the Balance Sheet at depreciated historical cost, that is historic cost less accumulated depreciation and impairment. In addition, the Code requires a reconciliation of gross carrying amounts and accumulated depreciation and impairment from the beginning to the end of the reporting period. Cheltenham Borough Council has material infrastructure assets, at a gross /net value basis. There is therefore a potential risk of material misstatement related to the infrastructure balance.</p>	<p>We have asked the Council to provide details of the infrastructure assets held. At 31 March 2022, these have a net book value of £9,657k. Of this £5,191k is within the housing revenue account. We have asked the Council to provide further details of these assets and are awaiting the outcome of CIPFA and DLUHC considerations of how this issue will be addressed at a national level. The guidance is expected to be issued on 25 December 2022 and we will conclude our work after that date.</p>

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £141m Surplus assets – £45m	<p>Other land and buildings comprises £77m of specialised assets such as sports pavilions and public conveniences, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£64m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Vickery Holman to complete the valuation of properties as at 31 March 2022 on a five yearly cyclical basis. 1.8% of total assets were revalued during 2021/22.</p> <p>Management have considered the year end value of non-valued properties. Management have used relevant indices to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties' value. We are currently in the process of reviewing whether this has resulted in a significant increase or decrease in values, which may result in further valuations being required.</p> <p>The total year end valuation of land and buildings was £141m, a net increase of £2.9m from 2020/21 (£138m).</p>	<p>We considered the competence, qualifications and independence of management's valuation expert as well as their relevant terms of reference and valuation report. We did not identify any issues.</p> <p>For all assets we identified which were inside and outside of our expectation using Gerald Eve indices to determine a point estimate. This enabled us to assess the reasonableness of increase in the estimate.</p> <p>On a sample basis, we analysed the method, data and assumptions used by management to derive the accounting estimate.</p> <p>We then considered in more detail, management bias in determining the estimate and evaluated evidence that contradicts management's assessment. Considered all evidence obtained during the audit, including both corroborative and contradictory audit evidence, when evaluating the appropriateness of accounting estimates.</p> <p>We are satisfied with the adequacy of disclosure of estimate in the financial statements.</p>	TBC

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £66.415m	<p>The Council has engaged Vickery Holman to complete the valuation of properties as at 31 March 2022. All investment property was revalued at that date.</p> <p>The total year end valuation of investment property was £66m, a net decrease of £280,000 from 2020/21.</p>	<p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>We assessed management's experts used and found them to be capable, competent and objective.</p> <p>We are challenging the appropriateness of the underlying information used to determine the estimate and ensuring that there is consistency of assumptions against industry data.</p> <p>Where movements are significant, we are reviewing the increase/decrease in estimates for reasonableness.</p> <p>Our work in this area remains ongoing.</p>	TBC

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings – Council Housing - £251m	The Council owns 4,540 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged Avison Young to complete the valuation of these properties. The year end valuation of Council Housing was £250.9m, a net increase of £19m from 2020/21 (£231.8m).	<p>We considered the competence, experience and independence of managements expert as well as the relevant terms of engagement and the valuers report. No issues were identified.</p> <p>We confirmed that the information used by the valuer was complete and accurate and the desktop approach was appropriate.</p> <p>We confirmed that the valuation approach was consistent with the prior year and was in accordance wit the guidance on stock valuation for resource accounting.</p> <p>We challenged the indices used in the valuation process and corroborated a sample of properties to market data.</p> <p>We confirmed that adequate disclosures were included within the financial statements.</p> <p>We are following up a small number of points with the Council's valuer.</p> <p>We are satisfied at this point that the estimate included by management is not materially misstated and is free from bias.</p>	TBC

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
Net pension liability – £40.5m	<p>The Council's [total] net pension liability at 31 March 2022 is £40.5m (PY £53.7m) comprising the Gloucestershire County Council Pension Fund and unfunded defined benefit pension scheme obligations. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £16m net actuarial gain during 2021/22.</p>	<ul style="list-style-type: none"> We have assessed the Council's actuary, Barnett Waddingham, to be competent, capable and objective. We have performed additional tests in relation to accuracy of contribution figures, benefits paid, the reasonableness of the Council's share of the funds assets and investment returns to gain assurance over the 2019/20 roll forward calculation carried out by the actuary and have no issues to raise. We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions: <table> <tr> <th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>2.7%</td><td>2.7-2.75%</td><td>●</td></tr> <tr> <td>Pension increase rate</td><td>3.2%</td><td>3.15-3.3%</td><td>●</td></tr> <tr> <td>Salary growth</td><td>3.5%</td><td>0.5-2.5% above CPI</td><td>●</td></tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td><td>Pensioners: 21.7 Non-pensioners: 22.6</td><td>Pensioners: 20.1 - 22.7 Non-pensioners: 21.4 - 24.3</td><td>●</td></tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td><td>Pensioners: 24.1 Non-pensioners: 25.8</td><td>Pensioners: 22.9 - 24.9 Non-pensioners: 24.8 - 26.7</td><td>●</td></tr> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.7%	2.7-2.75%	●	Pension increase rate	3.2%	3.15-3.3%	●	Salary growth	3.5%	0.5-2.5% above CPI	●	Life expectancy – Males currently aged 45 / 65	Pensioners: 21.7 Non-pensioners: 22.6	Pensioners: 20.1 - 22.7 Non-pensioners: 21.4 - 24.3	●	Life expectancy – Females currently aged 45 / 65	Pensioners: 24.1 Non-pensioners: 25.8	Pensioners: 22.9 - 24.9 Non-pensioners: 24.8 - 26.7	●	TBC
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	2.7%	2.7-2.75%	●																								
Pension increase rate	3.2%	3.15-3.3%	●																								
Salary growth	3.5%	0.5-2.5% above CPI	●																								
Life expectancy – Males currently aged 45 / 65	Pensioners: 21.7 Non-pensioners: 22.6	Pensioners: 20.1 - 22.7 Non-pensioners: 21.4 - 24.3	●																								
Life expectancy – Females currently aged 45 / 65	Pensioners: 24.1 Non-pensioners: 25.8	Pensioners: 22.9 - 24.9 Non-pensioners: 24.8 - 26.7	●																								
<p>Assessment</p> <ul style="list-style-type: none"> Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious 																											
<p>We have also:</p> <ul style="list-style-type: none"> undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report. <p>Our work has noted that one assumption used in the calculation of the valuation of pension fund net liability is not in-line with the auditor's expert. The auditors expert expected the assumption for the salary increase is CPI + 0.5%pa however the actuary has used CPI + 0.3%pa in their calculations. We have determined that this has not produced a material misstatement in the financial statements.</p> <p>We are currently awaiting a response from the auditor of Gloucestershire Pension Fund to conclude in this area.</p>																											

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation- £40.5m	<p>For several grants, the Council is acting as an agent and does not recognise grant income. The balance of grants unpaid is shown as a creditor in the statement of financial position.</p> <p>There are also grants where the Council is acting as the principal and credited grants, contributions and donations to the Comprehensive Income and Expenditure Statement.</p> <p>The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver.</p>	<p>We have:</p> <ul style="list-style-type: none"> assessed whether the Council is acting as the principal or agent which would determine whether the authority recognises the grant as revenue in the year under review reviewed the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income assessed the impact for grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES. <p>We identified that the Covid-19 loss of income grant had been credited to services. This grant compensates authorities for irrecoverable and unavoidable losses from sales, fees and charges income in the financial year. Authorities are to absorb losses of up to 5% of planned sales, fees and charges income and then compensated for the eligible 'net losses' at 75% thereafter. As the grant is not ring fenced, then we would expect income to be reported as taxation and non-specific grant income in the CIES. We challenged management on the treatment and they detailed that as they are able to attribute the loss of income to a specific service then they deem it appropriate to credit the grant to services.</p> <p>We recommended that management include a critical judgement in their accounts as the grant was material in 2020/21.</p> <p>We also identified that note 16 was understated by £1.6 million. The Council made the appropriate amendment.</p> <p>We are satisfied with the treatment taken by the Council in relation to the recognition and presentation of grant income.</p>	Light purple

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £758,000	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The Council continued to make the voluntary overpayments of £179k (£171k in the prior year), meaning that the total value of overpayments to date is £1.241m.</p> <p>The year end MRP charge was £758k, a net decrease of £1.51m from 2020/21.</p> <p>The Council published an MRP policy within its Capital, Investment, Treasury Management Strategies approved by the Council on 22 March 2021.</p>	<p>In the prior year, we reported that the Council had applied capital receipts in lieu of a revenue charge to the general fund.</p> <p>We therefore recommended that the Council reconsider the MRP policy for future years to ensure that it complies with the underlying regulations and guidance and charges a prudent level of MRP to the revenue account.</p> <p>The Government has consulted on changes to the regulations that underpin MRP, to clarify that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted. The consultation highlighted that the intention is not to change policy, but to clearly set out in legislation, the practices that authorities should already be following. Government will issue a full response to the consultation in due course. Local authorities should continue with their current policies until the consultation response is issued, however this does not override the requirement for the MRP charge to be prudent.</p> <p>The Council has continued with its current approach until the consultation response is issued. We are reviewing further the Council's calculations and are considering the adequacy of the charge at this time.</p>	TBC

Assessment

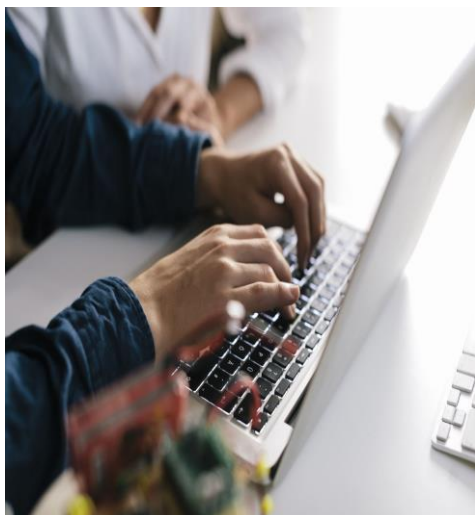
- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit, Compliance and Governance Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation will be requested from the Council, including specific representations in respect of the Group.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to several counterparties which the Council hold bank accounts, investments and borrowings with. This permission was granted and the requests were sent, all these requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/significant difficulties	<p>The Council experienced delays in receiving draft accounts for Gloucestershire Airport Ltd, which prevented full group accounts being prepared and at the time of writing, these have not yet been received. We have also experienced some delays in receiving satisfactory evidence.</p> <p>We would also emphasise that some of the delays can be attributed to the environment where audit of accounts is more difficult, as the entire audit was conducted remotely. In addition, as we respond to findings from the Regulator reviews of our files, some of the expectations for supporting evidence for transactions continues to increase.</p> <p>Notwithstanding the comments above, the overall direction of travel continues to be positive and we commend officers and the Council for this.</p>

2. Financial Statements - other communication requirements



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA [UK] 570).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Council and the environment in which it operates the Council's financial reporting framework the Council's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that for the Council:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. <p>This interpretation is not applicable to the Council's subsidiary entities and we have asked management to undertake a full going concern review of the group. This is expected to be provided alongside the revised group accounts.</p>

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and the Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Inconsistencies have been identified in the Narrative Report but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. <p>We have nothing to report on these matters.</p>



2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>We are awaiting the guidance for 2021/22.</p>

3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay was issued to the Chair of the Audit, Compliance and Governance Committee in September. We expect to issue our Auditor's Annual Report in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weakness.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The following non-audit services were identified, which were charged from the beginning of the financial year to 8 November, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing capital receipts grant	6,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £6,000 in comparison to the total fee for the audit of £41,043 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	The materiality of the amounts involved to our opinion and the low likelihood of material errors arising and that the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants, mitigates against this risk.
Certification of Housing Benefit Claim	21,150	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £28,923 in comparison to the total fee for the audit of £41,043 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	The materiality of the amounts involved to our opinion and the low likelihood of material errors arising and that the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants, mitigates against this threat.

Appendices

A. Follow up of prior year recommendations

We identified the following issues in the audit of Cheltenham Borough Council's 2020/21 financial statements, which resulted in five recommendations being reported in our 2020/21 Audit Findings report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>It was identified that the total value of heritage assets was not covered by the insurance certificate. Insurance cover held is £650k less than the value of these assets.</p> <p>Should the whole portfolio be damaged or destroyed, the Council would have insufficient insurance cover to replace these assets.</p> <p>We would as such recommend that management review the coverage on an annual basis to ensure that sufficient insurance cover is held.</p>	<p>We have reviewed the insurance documents to determine the coverage of insurance for heritage assets. The value insured remains £650k lower than the carrying value within the financial statements.</p>
X	<p>There were some issues evidencing older balances, this was identified in grant testing; particularly where grants are being carried as receipts in advance or released from receipts in advance during the year.</p> <p>We were advised that this has largely been the case where there have been changes in staffing and information has been lost with members of staff leaving the Council.</p> <p>There is a risk that balances relating to prior periods are incorrectly carried forward or released into the incorrect reporting period if there is not sufficient record keeping.</p> <p>We would recommend that a review of balances carried forward as at 31 March 2021 is undertaken to ensure that management are fully aware of what these balances relate to and investigate where there is any uncertainty around transactions.</p> <p>Going forward, it would be beneficial to ensure that sufficient records are kept where balances are carried forward into new reporting periods. This will enable information is not lost with staff changes.</p>	<p>Our testing undertaken in the current year has identified that this remains an issue.</p>

Assessment

- ✓ Action completed
- X** Not yet addressed

A. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>Our testing identified 17 journals that had a blank description, these were selected for testing as this is a weakness in a key control.</p> <p>There is a risk that inappropriate journals could be posted to the ledger to conceal fraudulent activity.</p> <p>We would recommend that all journals are posted with a description, and this is considered as part of the review process. Further training may be necessary for journal posted to ensure the finance team is aware of the important of this key control.</p>	Our testing identified that a similar number of journals had blank descriptions. We reviewed the purpose and supporting documentation for these journals with no issues identified from our testing.
TBC	<p>Our testing on the valuation of property, plant and equipment and investment properties identified several errors in relation to source data as detailed within 'key judgments and estimates' from page 14.</p> <p>The Council had difficulty providing evidence to support the floor areas of some assets and properties we selected for testing. We would expect the Council to maintain up to date records of property data, such as floor areas.</p> <p>Where these were not available, we have used Valuation Office Agency data and Energy Performance Certificates to corroborate the floor areas.</p> <p>We would deem the lack of up-to-date property information to be a weakness in evidence. In one case, the Council was unable to evidence why a car park was valued at £227k. This car park is non-revenue generating and is recognised in the fixed asset register as part of another building asset. We have noted that this is an isolated issue and no other assets hold a car park that have been valued in this way. We do not deem this to be an error, but an amount for which we cannot obtain sufficient and appropriate evidence and are reporting this as such.</p> <p>We were also unable to corroborate the fact that management have challenged the valuer on the valuations they produced. As the estimates in the Statement of Accounts are the responsibility of management, not the valuer, we would expect there to be some documentation of the challenges raised. The Council should ensure that up to date records are maintained in respect of property data to ensure the valuations are completed using appropriate inputs.</p> <p>We would also recommend that the valuations produced are reviewed for reasonableness, management should challenge the assumptions made and the source data included.</p>	Our work in this area remains ongoing

Assessment

- ✓ Action completed
- X Not yet addressed

A. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>The Council has incorrectly included capital receipts within its annual charge for MRP which has reduced the amount charged to revenue in the year. This is contrary to the regulations which prescribe the use of capital receipts. Consequently, the annual charge of MRP to the revenue account is understated for the year.</p> <p>The Council needs to revisit its approach for charging MRP so that it does not include capital receipts in lieu of charges to the revenue account.</p>	The Council has continued to apply capital receipts in lieu of charges to the revenue account.

Assessment

- ✓ Action completed
- X** Not yet addressed

B. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure error or omission	Auditor recommendations	Adjusted?
The Narrative Report contained a number of typographical errors and instances where the numbers were not consistent with other disclosures within the accounts.	Management should ensure that a sense check of the Narrative Report is undertaken prior to publishing the draft accounts to ensure that all errors and inconsistencies are corrected.	✓
Note 21. Capital Financing This note contained a number of errors, where figures were not consistent with the working papers provided.	Management should ensure that a sense check is undertaken prior to publishing the draft accounts to ensure that all errors and inconsistencies are corrected.	✓
Note 14 Related Parties This note contained a small number of omissions and items that could not be agreed to other evidence.	This is currently being reviewed by officers.	TBC
Note 12 The banding disclosure for employees whose remuneration, excluding employer's pension contributions, was £50,000 was incorrectly presented.	Management should ensure that a check is undertaken prior to publishing the draft accounts to ensure that all errors are corrected.	✓
Note 1 Accounting policies A small number of amendments were made to accounting policies to reflect the requirements of the Code and practice at the Council.	No recommendation	✓
Note 2 Changes in accounting policy and accounting standards that have been issued but have not yet been adopted A small number of changes have been made to reflect the changed timeframe for the implementation of IFRS 16 and to remove the reference to infrastructure assets which remains under consideration nationally.	No recommendation	✓

B. Audit Adjustments

Misclassification and disclosure changes

Disclosure error or omission	Auditor recommendations	Adjusted?
<p>Note 3 Critical judgements used in applying accounting policies</p> <p>We noted that the Council had classified the Covid 19 income compensation grant as a service specific grant rather than as a general non ringfenced grant. There are no restrictions on its use. The Council has used its judgement to credit the grant against the services impacted and has updated note 3 to reflect this.</p>	Where the Council departs from generally accepted accounting treatments, this judgement should be disclosed in the financial statements, where material. The amount of this grant was material in 2020/21.	✓
<p>Note 15 Audit fees</p> <p>The Council had incorrectly marked this note as restated. In addition the note has been amended to include certification work in the same place.</p>	No recommendation	✓
<p>Note 16 Grants</p> <p>We identified that note 16 was inconsistent with note 18. Note 16 was amended to ensure consistency. Note 16 was amended in the final set of accounts to include £1.6m worth of capital grants and contributions.</p>	Management should ensure that a sense check is undertaken prior to publishing the draft accounts to ensure that all errors and inconsistencies are corrected.	✓
<p>Note 17 Expenditure and Funding Analysis</p> <p>A number of amendments were made to this note to reflect the Council's outturn report.</p>	Management should ensure that a sense check is undertaken prior to publishing the draft accounts to ensure that all errors and inconsistencies are corrected.	✓
<p>Note 19 Property plant and equipment</p> <p>The note setting out the date of valuations undertaken was incorrect .</p>	Management should ensure that a sense check is undertaken prior to publishing the draft accounts to ensure that all errors and inconsistencies are corrected.	✓
<p>Note 27 Short term debtors</p> <p>The note has been amended to disclose impairments separately to allow the note to reconcile to the financial instruments note.</p>	No recommendation	✓

B. Audit Adjustments

Misclassification and disclosure changes

Disclosure error or omission	Auditor recommendations	Adjusted?
Note 34 Pensions An additional disclosure has been added to reflect the uncertainty inherent in the roll forward process used to determine asset and liability values.	No recommendation	✓

B. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Audit, Compliance and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
<p>The Council receives a number of grants where expenditure is spread over a number of years and the income is released as conditions are met. We identified one instance where the Council was unable to provide evidence to support the initial receipt of the grant. As our testing was on a sample basis and does not cover the entire population we have extrapolated the error to determine the likely impact of a material misstatement arising.</p> <p>This issue was also identified in 2020/21.</p>		Dr Grants received in advance 126		On the basis that this is a projected misstatement based on a balance that cannot be evidenced
Overall impact			£126	

B. Audit Adjustments

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2020/21 financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Revaluation gain on a investment property incorrectly allocated on the CIES	Cr Financing & Investment income --£86k Dr Surplus or Deficit on revaluation of non current assets --£86k		£ nil	On the basis of materiality
Projected misstatement: being brought forward balances within GRIA the Council were unable to evidence		Dr Grants received in advance - £85k	£nil	On the basis of materiality
Being a brought forward balance within GRIA released to the CIES in year the Council were unable to evidence	Dr Grant income --£158k	Dr --£158k	Dr--£158k	On the basis of materiality
Being the land swap recognised as a reclassification in error and the subsequent revaluation upon identifying this	Cr --(Surplus) or Deficit on revaluation of non current assets --£342k	Dr - PPE: revaluation increases recognised in the revaluation reserve --£342k	Cr --£342k	On the basis of materiality
Being the net impact of the errors identified in investment properties valuation testing	Cr - Financing and Investment income £464k	Dr - Investment properties: Net losses for the period included in the surplus or deficit on the provision of services resulting from changes in fair value --£464	Cr --£464k	On the basis of materiality
Being the net impact of the errors identified in other land and buildings valuation testing	Dr - (Surplus) or Deficit on revaluation of non current assets --£758k	Cr - PPE: revaluation increases recognised in the revaluation reserve -£758k	Dr--£758k	On the basis of materiality
The impact of the McCloud Pension adjustment from 2019 20 has been re stated in the comparators rather than disclosed as a part service cost in 2020 21.	£ nil	£ nil	£ nil	On the basis of materiality
Overall impact	£110k	£1,331k	£110k	

C. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

The fees reconcile to the financial statements, although we anticipate our fee for grant claims will be slightly lower than reported.

Audit fees	Proposed fee	Final fee
Council audit (scale fee)	£41,043	£41,043
Council – additional fees (including VFM fee)	* £28,100	** TBC
Total audit fees (excluding VAT)	£64,543	TBC

* Additional fees to be approved by PSAA

** The final fee will be discussed with the CFO following completion of the audit prior to being submitted to PSAA for approval

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services - Grant Claims	£31,150	TBC
Total non-audit fees (excluding VAT)	£31,150	TBC

